

QUARTERLY REPORT
FOR THE PRESIDENT
ON THE
IMPLEMENTATION
OF
EXECUTIVE ORDER 12352

April 1, 1983 To June 30, 1983

OFFICE OF MANAGEMENT AND BUDGET

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EXECUTIVE SUMMARY

This is the fifth quarterly report to the President on executive branch implementation of Executive Order 12352, Federal Procurement Reforms.

Executive Order 12352 was issued in March 1982 to improve the effectiveness of the Government's procurement system. Procurement expenditures totalled approximately \$160 billion in FY 1982 -- about one-fifth of the Federal budget. Significant savings in this program are expected once the entire procurement reform effort is implemented, a process expected to take 3-5 years.

Executive Order 12352 is organized in 4 sections and requires:

- Section 1. The implementation of specific management and procurement process reforms by all agencies engaged in the procurement of products and services from the private sector;
- Section 2. The National Aeronautics and Space Administration (NASA), the General Services Administration (GSA), and the Department of Defense (DOD) to consolidate their procurement regulations into a single, simplified Federal Acquisition Regulation;
- Section 3. The Director of the Office of Personnel Management, in consultation with agency and department heads, to ensure that personnel policies and classification standards meet agencies' needs for a professional procurement work force; and
- Section 4. The Office of Federal Procurement Policy, an element within OMB, to provide broad policy guidance and overall leadership necessary to achieve specific procurement reforms.

This report focuses primarily on those actions being taken to implement Section 2 of the Executive order; i.e., the completion of the new Federal Acquisition Regulation (FAR) by DOD, GSA and NASA and implementation by all agencies. The FAR is a single, combined regulation being developed to replace the existing Federal Procurement Regulations and major portions of the existing Defense Acquisition Regulation and NASA Procurement Regulation. The FAR system will ultimately eliminate approximately 33,000 pages of procurement regulations.

Development of the FAR has been underway for several years. Final agreement on the content was reached during this quarter. The FAR will be published in the Federal Register in September, 1983. Printing of the entire document is scheduled for October 1983 and distribution to the Executive agencies will be completed in December 1983. The effective date of the FAR for all agencies is April 1, 1984.

The completion, issuance, and implementation of the FAR will be a major milestone in the history of Government procurement and regulatory reform. The actions highlighted in the report indicate that this milestone will be achieved. Significant accomplishments during this quarter include:

1. Completion of Phase II of the FAR program. This phase involved the review, analysis, and disposition of 17,000-20,000 comments received from Federal agencies and private industry in response to the publication of the draft regulation in the Federal Register.
2. Completion of a final review by the major procuring agencies and departments, which included some clarification before their approval of the entire regulation.

In addition to the status of the FAR, the report provides summaries of the actions taken by the several agencies and departments to implement other specific reform initiatives specified in the Executive order. The progress being made by the Executive Committee on Procurement Reform is also provided.^{1/} This Committee reviews and approves the specific modules now being developed to reform the procurement systems.^{2/}

^{1/} The Executive Committee on Procurement Reform was established and chartered by the Office of Federal Procurement Policy. The purpose of the Committee is to develop uniform guidance for the procurement reforms required by Executive Order 12352. The Committee consists of representatives from the 8 agencies responsible for 94% of all Government procurement plus representatives from OPM and SBA.

^{2/} A module is a suggested administrative, regulatory, or legislative change for improving the present procurement system. The modules are developed by interagency task groups under the leadership of the Executive Committee.

I. Actions Taken to Implement Section 1 of the Executive Order

During the quarter, 19 specific modules for improving the procurement process were completed. These modules were developed by task groups of the Executive Committee on Procurement Reform and cover such diverse topics as:

- Better use of automation to improve the procurement process and the productivity of the procurement work force;
- Simplification of contract documents, formats, and bid and proposal sets;
- Improved contract administration procedures;
- Consolidation, simplification and reduction of contract reporting requirements; and
- Specific administrative, regulatory, and legislative changes necessary to improve the placement and award of Federal contracts.

The 19 improvement modules are now being reviewed by the Executive Committee. As a result of this review, which is scheduled to be completed by November 30, 1983, guidance for agency use of the modules will be finalized. The guidance documents will be developed concurrent with the review and acceptance of each module and will be issued by the Office of Management and Budget. The impact of the reform modules will be to reduce paperwork and improve contracting efficiency. First results are expected as early as December and will benefit both Government offices and private firms doing business with the Government.

In addition to the 19 guidance modules, the Executive Committee continued during the quarter to develop models that agencies and departments can use in:

- Establishing clear lines of contracting authority and accountability within their organizations;
- Developing criteria to be used in evaluating procurement system performance;
- Simplifying small purchase procedures; and
- Improving procurement career management programs for Federal procurement personnel.

The interagency task groups working on the development of these models are on schedule. Two of the models are to be completed in August and the remaining ones will be finished prior to the end of the year.

II. Actions Taken to Implement Section 2 of the Executive Order

Section 2 of the Executive Order pertains to the completion of the single, simplified FAR. Significant progress was achieved during this quarter by the three agencies (DOD, NASA and GSA) responsible for developing this new regulation. Specifically, analysis was completed of all public and agency comments received in response to the published draft of the regulation. Final editing of the entire text was completed, and the text was reviewed and approved by the major procuring agencies. The completion of the Executive Review of the final edited text concludes a five-year drafting effort involving hundreds of manyears of effort.

Full implementation of the FAR in April 1984 depends on the preparatory actions now being taken by the respective agencies and departments. The more significant of these actions reported by the agencies and departments during this quarter include:

- Department of Energy. DOE continued its efforts to convert the DOE procurement regulation to the DOE acquisition regulation, which will implement the FAR. DOE anticipates a 50% reduction in the volume of its procurement regulatory system as a result of this conversion.
- Department of Defense. DOD established a Federal Acquisition Regulation Implementation Steering Committee during the quarter. This committee will establish a focal point within the DOD for departmental FAR implementation. Other DOD efforts to prepare for FAR implementation include the identification of required changes and reprogramming of its automated data systems; the approving, printing and distributing of necessary forms; the assessment of organizational changes; and the establishment of DOD-wide training programs.
- Department of State. The Department of State has established a specific milestone program for implementing the FAR. Specific tasks have been identified and initial steps are being taken to write the new Department of State procurement regulations. In addition, procurement forms containing solicitations-contract clauses are being developed, a solicitation clause handbook is being revised, and training needs are being identified to provide for an efficient transition from existing procedures to the new FAR.
- Department of the Interior. Interior has established October 1983, as the date for publishing its proposed FAR supplement. A planning meeting was held to develop a program for familiarizing the affected Interior work force with the FAR, and an automation review was begun of its small purchase transactions program (transactions under \$10,000).
- National Aeronautics and Space Administration. NASA played a lead role during the quarter in developing the new proposed Government-wide patent and data policy. This policy is based on the President's policy memorandum of February 18, 1983, and is incorporated in the FAR. NASA reported, also, that progress continued on the development

of its FAR supplement regulation and that publication is targeted for December 15, 1983. FAR training issues such as training strategy, team structure and staffing, tentative training schedules, and the general subject areas for the training, have been resolved. Modification of existing automated programs is now being accomplished and will continue through the first quarter of FY 1984.

- Veterans Administration. VA developed a plan calling for the completion of the Veterans Administration acquisition regulation by January 1984. Training of VA personnel will be accomplished by using the FAR training materials being developed by the General Services Administration, and by using a cross-reference manual now being developed to provide references between the existing VA regulations and the FAR. The VA automated systems will be updated to accommodate the FAR on an installation basis between now and December 1983.
- Environmental Protection Agency. EPA indicated it has reduced the size of its "solicitation package" by 50% as a result of adopting the proposed FAR format.
- General Services Administration. GSA commenced converting the existing 700-page GSA Procurement Regulation to the GSA Acquisition Regulation. The GSA Acquisition Regulation will supplement the FAR. Work continued also during the quarter on a FAR training course. This course will contain all necessary materials (viewgraphs, written text, printed handouts and videotape) to familiarize procurement personnel with the FAR. The course is being designed to permit maximum flexibility in reaching the 130,000(+) Government personnel involved in the procurement process. The course may be presented by GSA, client agency or contract instructors.
- Department of Transportation. The major FAR action in DOT has occurred in the Coast Guard. The Coast Guard is preparing a procurement instrument composition system. This is an automated system that will use the Federal Acquisition Regulation as a data base. Other operating elements in DOT are reviewing the Coast Guard system to determine whether to adopt it, in whole or in part. DOT reported that it has not commenced developing its FAR supplement, but that it anticipates publishing it in the Federal Register for public comment prior to April 1, 1984. The supplement must be effective as of April 1, 1984, and this late start will require an expedited effort to avoid a lapse in regulatory coverage.
- Department of Justice. DOJ has just begun to develop programs for the implementation of the FAR and for the necessary training of its procurement personnel. The Department reported it did not have any activity for this particular reporting period, but that its next report will reflect significant action.

One problem reported by several agencies, with regard to preparing for FAR implementation, is that efforts to develop necessary supplementary regulations are being impeded by not having the final version of the FAR. This problem will be resolved in September 1983, with the publication of the FAR in the Federal Register. Plans have also been made to provide advance copies of the page proofs to the agencies in August. The page proofs will be sufficient to initiate the preparation of the supplementary regulations.

III. Actions Taken to Implement Section 3 of the Executive Order

The Department of Defense, working directly with Dr. Devine, Director, OPM, reached agreement with OPM on the major issues involved in the dispute over the GS-1102 classification and qualification standards for procurement personnel. DOD has received concurrences from DOE, NASA, and GSA on the compromise language worked out with OPM. The OFPP-OMB concurs with the compromise.

IV. Actions Taken to Implement Section 4 of the Executive Order

The Office of Federal Procurement Policy chaired three monthly meetings of the Executive Committee on Procurement Reform held during the quarter and a meeting of the entire Federal Procurement Council (24 agencies). The OFPP also conducted a meeting for industry associations held in April. The purpose of the industry meeting was to provide for a cross-flow of information between the Government and the private sector on the procurement reform effort.

In addition to conducting the agency and industry meetings, specific policy guidance was issued during the quarters to the heads of executive agencies and departments. This guidance included:

1. Office of Management and Budget Memorandum, M-83-15, Construction Contract Change Orders, April 27, 1983. This memorandum was based on audit findings of the President's Council on Integrity and Efficiency. The memorandum directed agency heads to institute specific management and procurement practices to lessen the frequency of construction contract change orders. The Council's audit concluded that change orders provide a significant potential for waste, fraud, and abuse, and that improved management could result in savings of over \$300 million annually.
2. Office of Federal Procurement Policy, Policy Letter 83-1, Retainage Policy for Federal Construction Contracts, May 6, 1983. This Policy Letter was issued to set forth Government-wide policy regarding the retention or withholding from progress payments made on Federal construction contracts. The Policy Letter provides that retention of funds should not be used as a substitute for good contract management and that Federal contracting officers should not withhold funds without cause. This letter is expected to help improve cash flow problems now being experienced by many subcontractors on Federal construction projects.

3. Office of Federal Procurement Policy, Policy Letter 83-2, Publicizing the Development of Procurement Policies and Regulations, May 25, 1983. Policy Letter 83-2 was issued to establish uniform criteria and procedures for use by executive agencies in soliciting the views of interested parties in the development of procurement policies, regulations, procedures, and forms. The Policy Letter establishes formal procedures for public participation in policy development by requiring agencies and departments to give notice in the Federal Register of all significant procurement regulations which will impact the private sector.
4. OFPP Policy Letter 83-3, Procurement of Architect-Engineer Services, June 8, 1983. This Policy Letter provides uniform policy guidance to be followed in the procurement of architect-engineer services. Procurement of these services now exceeds \$1 billion per year. These procurements are conducted pursuant to the Brooks A-E Act (Public Law 92-582). The Policy Letter is expected to provide for more uniform implementation of the law and result in improved competition for some services.

V. Conclusion

Significant achievements in implementing Executive Order 12352 were accomplished during the April 1 to June 30, 1983, quarter. These achievements, however, are primarily preparatory to the major changes required to reform the procurement system. The progress made by the Executive Committee on Procurement Reform, coupled with the advance of the FAR system and the resolution of the position classification qualification standards issue are major milestones. The benefits to be derived from these efforts are, however, still several months away and their realization will continue to require the commitment and interest of officials at the highest levels of Government. Procurement reform under the Executive order is only commencing and a concerted effort is needed to maintain the present momentum.